

Message Text

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ORIGIN COME-00

INFO OCT-01 ARA-10 ISO-00 EB-08 XMB-02 OES-09 CEQ-01
GSA-02 DOE-15 SOE-02 CIAE-00 INR-10 NSAE-00
INRE-00 /060 R

DRAFTED BY COM/BED/OED/MEPD/WHAIMES/CF
APPROVED BY EB/OCA/ALZUCCA
COM/BED/OED/MEPD/JNRANDOLPH JR
COM/BED/OED/MEPD/SMCONGER, DIR.
COM/BED/OIM/F.TOWER (INFO)
EXIMBANK/D. RENGERS (PHONE)
ARA/MEX/DSIMCOX

-----129834 131540Z /44

O 131517Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY MEXICO IMMEDIATE

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E.O. 11652: N/A

TAGS: BENC, MX

SUBJECT: MAJOR PROJECTS: FERTIMEX PHOSPHATE FERTILIZER
COMPLEX

REF: MEXICO 6110 AND PREVIOUS

1. SUMMARY: FERTIMEX REACHING CRUCIAL POINT IN BID
EVALUATION ON PHOSPHATE COMPLEX. BELIEVE AMBASSADORIAL
REPRESENTATIONS ON BEHALF OF U.S. BIDDERS BADGER AND
DAVY POWER GAS MAY HELP COMBAT GOVERNMENT-SUPPORTED
COMPETITION.

2. AS EMBASSY PROBABLY AWARE, U.S. FIRMS BADGER CO. AND
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DAVY POWER GAS SUBMITTED BIDS THE END OF MAY ON
TECHNOLOGY AND BASIC ENGINEERING FOR FERTIMEX PHOSPHATE
COMPLEX AT LAS TRUCHAS. DAVY BID ALL FIVE AREAS OF
COMPLEX, WHILE BADGER BID PHOSPHORIC ACID PLANT, DAP/NPK
PLANT, AND OFFSITES (AREAS 2,4,5). OTHER BIDDERS ARE
KREBS (FRANCE), HUERTEY (FRANCE), LURGI (FRG) AND UHDE
(FRG). KREBS IS ONLY OTHER FIRM INVITED TO BID ALL

FIVE AREAS.

3. LAST WEEK THE ABOVE FIRMS ALSO PRESENTED SECOND SET OF BIDS ON DETAILED ENGINEERING AND CONSTRUCTION SUPERVISION FOR SAME AREAS AS PARA 2 ABOVE. FOR THIS PHASE, ASSOCIATION WITH A LOCAL CONTRACTOR WAS MANDATORY. DAVY'S MEXICAN PARTNER IS BUFETE INDUSTRIAL AND BADGER'S LOCAL ASSOCIATE IS SERVICIOS PROFESIONALES. ALL BIDS HAVE BEEN OPENED AND MADE PUBLIC.

4. AS EMBASSY HAS BEEN ADVISED, EXIMBANK IS OFFERING A VERY COMPETITIVE FINANCIAL PACKAGE TO SUPPORT U.S. BIDDERS: DIRECT CREDIT TO COVER 65 PERCENT OF U.S. COSTS AT 8 1/4 PERCENT INTEREST, 20 PERCENT PRIVATE FINANCING (UNGUARANTEED), AND 15 PERCENT CASH DOWN-PAYMENT, REPAYMENT IN 20 SEMIANNUAL INSTALLMENTS COMMENCING SIX MONTHS AFTER PROJECT COMPLETION. COMPANY ESTIMATES OF U.S. COSTS TO BE COVERED BY EXIM COMMITMENT (I.E., U.S. COSTS OUTSIDE THOSE THAT ARE EXPECTED TO BE COVERED BY WORLD BANK FINANCING) ARE: 45 MILLION DOLLARS FOR DAVY BID AND 31.62 MILLION DOLLARS FOR BADGER BID. IF U.S. COSTS ARE HIGHER, OR WORLD BANK FINANCING TO COVER ADDITIONAL FOREIGN PROCUREMENT FALLS THROUGH, EXIM COULD CONSIDER INCREASED EXPOSURE. (TOTAL IMPORTED COSTS ESTIMATED TO BE ABOUT 80 MILLION DOLLARS.)

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5. WE ARE NOW AT THE CRUCIAL POINT ON THIS IMPORTANT EXPORT OPPORTUNITY, SINCE EVALUATION OF THE DECISIVE TECHNOLOGY AND BASIC ENGINEERING BIDS ARE ALMOST COMPLETE, AND FERTIMEX DECISION IS EXPECTED WITHIN TWO WEEKS, ACCORDING TO THE U.S. BIDDERS. (WHILE CONTRACTS FOR SECOND PHASE THEORETICALLY ARE BEING EVALUATED AND AWARDED SEPARATELY, WOULD BE DIFFICULT FOR FERTIMEX TO AWARD DETAILED ENGINEERING CONTRACT TO FIRMS OTHER THAN THOSE CHOSEN TO PROVIDE TECHNOLOGY PACKAGES.) DAVY HAS REPORTED THAT BOTH FRENCH AND GERMAN COMPANIES HAVE RECEIVED SUPPORT FROM THEIR GOVERNMENTS IN THE FORM OF RECENT AMBASSADORIAL REPRESENTATIONS TO DAVID GUSTAVO GUTIERREZ, DIRECTOR OF FERTIMEX. BELIEVE U.S. AMBASSADORIAL REPRESENTATION TO GUTIERREZ ON BEHALF U.S. FIRMS WOULD BE APPROPRIATE AT THIS TIME, AT AMBASSADOR'S DISCRETION.

6. SINCE GUTIERREZ IS KNOWN TO BE MOST FAMILIAR WITH FRENCH TECHNOLOGY GIVEN HIS FRENCH EDUCATION, AND THEREFORE MAY BE PARTIAL TO FRENCH FIRMS, REPRESENTATION TO OTHER MEXICAN OFFICIALS MAY ALSO BE USEFUL. U.S. FIRMS HAVE SUGGESTED THAT EMBASSY MAY WISH TO APPROACH

MINISTER OF PATRIMONY AND INDUSTRIAL DEVELOPMENT
ORTEYZA, WHO IS MEMBER OF FERTIMEX BOARD OF DIRECTORS
AND IMPORTANT MEMBER OF LOPEZ-PORTILLO GOVERNMENT.

7. IF EMBASSY DEEMS SUCH REPRESENTATIONS APPROPRIATE,
SUGGEST APPROACH OF OUTLINING USG OFFER OF FINANCING
AND EXPRESSING OUR HOPE THAT FERTIMEX WILL UTILIZE
THIS CREDIT AND THE TECHNOLOGY OFFERED BY THE U.S.
PRIVATE SECTOR.

8. WOULD APPRECIATE REPORT OF ANY ACTION TAKEN.
CHRISTOPHER

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Message Attributes

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Disposition History: n/a
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Review Withdrawn Fields: n/a
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TAGS: BENC, MX
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